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Guidelines on producing leading, composite and sentiment indicators – interim report

Guidelines on producing leading, composite and sentiment indicators

Addendum

Results of the interim consultation on the draft Guidelines on producing leading, composite and sentiment indicators

Note by the Secretariat

Summary

This note summarizes the comments by countries and organisations on the draft *Guidelines on producing leading, composite and sentiment indicators*, resulting from the interim consultation in March-April 2018 with all members of the Conference of European Statisticians (CES).

A total of 45 countries and organisations replied to the consultation. All responding countries and organisations found the draft Guidelines useful and there was general support to the recommendations and practical guidance provided in the draft.

Based on the comments and proposals received in the interim consultation, the Task Force on leading, composite and sentiment indicators will further review and improve the draft Guidelines. The Guidelines are planned to be finalised in the course of 2018 to be submitted to the CES plenary session in 2019 for endorsement.

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I. Introduction

1. The draft *Guidelines on producing leading, composite and sentiment indicators* are being developed by a dedicated Task Force established by the Bureau of the Conference of European Statisticians (CES) in February 2016. The objective of the Task Force is to develop guidance on good practices for national statistical offices (NSOs) in producing leading, composite and sentiment (LCS) indicators. The recommendations should clarify the possible roles of NSOs in producing LCS indicators and provide guidance for NSOs that produce or consider producing LCS indicators.

2. The Task Force consists of the following members: Denmark, Hungary, Israel, Italy, Mexico, Netherlands, Sweden, Turkey, Eurostat, OECD and UNSD. Mr Jeroen Boelhouwer, The Netherlands Institute for Social Research, and Mr Gian Luigi Mazzi, GOPA Consulting Group, participate in the Task Force as independent experts. From November 2017, the Task Force has been chaired by Denmark. Sweden chaired the Task Force until October 2017.

3. The CES Bureau reviewed the draft Guidelines in October 2017 and asked the Secretariat to conduct an interim consultation with all CES members in spring 2018. The purpose of the consultation is to give countries an opportunity to review the draft recommendations and provide comments and proposals to the Task force for further improvements of the draft.

4. In the consultation, countries and organisations were asked: a) whether the draft Guidelines provide useful recommendations on producing LCS indicators; b) whether the countries would consider using the Guidelines when finalised; and c) whether there is a need for further research and development in this area. The countries were also asked for detailed comments and suggestions on the draft chapters, and to provide country examples.

5. Section II of this note summarises the comments received. Section III presents a proposal for the finalisation of the *Guidelines on producing leading, composite and sentiment indicators*.

II. Summary of comments

6. A total of 45 replies to the electronic consultation were received from national statistical offices of 37 countries, 3 international organisations and 3 research institutions. The national statistical offices of the following countries replied: Albania, Armenia, Belarus, Belgium, Canada, Croatia, Denmark, Estonia, Finland, France, Georgia, Germany, Hungary, Israel, Italy, Japan, Latvia, Lithuania, Mexico, Netherlands, New Zealand, Norway, Poland, Republic of Moldova, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Spain (two replies by the National Statistical Institute), Sweden, Switzerland, Tajikistan, Turkey, Ukraine, United Kingdom and United States (two replies, by the Bureau of Economic Analysis and the Bureau of Labor Statistics). The following international organisations replied: European Commission – DG Economic and Financial Affairs, Eurostat, and UNSD. The following research institutions replied: Investigaciones Sociologicas (Spain), KOF Konjunkturforschungsstelle (Switzerland) and University of Geneva (Switzerland). The Task Force would like to thank all countries and organisations for their inputs.

1. Usefulness of the Guidelines

7. All responding countries and organisations considered the draft Guidelines useful and comprehensive, and acknowledged their value for engaging in or improving the production of LCS indicators and for training purposes. The Guidelines provide practical guidance on criteria to consider in the production of LCS indicators, processes and steps to follow for a sound production, and recommendations on their publication and communication to users. The document is complemented by useful country examples. The Guidelines are also found to give useful references to quality assurance frameworks and existing methodological handbooks and manuals, such as the ones by Eurostat, OECD and UNSD.

8. Some countries (France, Spain, Sweden and United Kingdom) underlined the importance of providing strategic guidance to countries. The aim should be to arrive at a common reference on what issues and criteria to consider in the process of setting up an indicator without giving detailed guidance on survey design and methods.

9. Many countries indicated that once finalised they would use the Guidelines for developing or improving the production of LCS indicators. Nine countries (Belgium, Croatia, Estonia, Finland, Germany, Moldova, New Zealand, Norway, United States – Bureau of Labor Statistics) while asserting the general value of the Guidelines, indicated that currently they would not use them for different reasons: some NSOs already produce LCS indicators and feel ahead of the Guidelines, other NSOs leave the production of LCS indicators to other agencies for historical, practical or legislative reasons. A third group of NSOs has currently no plans to engage in the production of LCS indicators due to lack of resources but notes that this may change in future.

2. Further research or development

10. Ten countries indicated a general need for further work and research on LCS indicators, while other countries did not see a need for additional work. Some countries suggested that sharing experiences would be useful and that e.g. workshops or training should be organised to this end. Finland, Germany and Eurostat indicated that more standardised methods and approaches for official statistics may be useful, in particular if the use of LCS indicators continues to increase and where they are used for international comparison.

11. New Zealand and Romania indicated a need to develop frameworks and indicators for subjective well-being. New Zealand added that socio-economic sentiment indicators will grow in importance as more data from administrative sources is becoming available. The interest will be in moving from measuring "what" societies are like to measuring "why", including getting a deeper understanding of people's attitudes and behaviour, and how these drive the choices they make. Therefore, NSO's should not shy away from moving into more subjective areas and continue to explore new methods and techniques.

3. Country examples

12. Many countries highlighted the value of the practical examples presented in the Guidelines, and asked for more examples to be included. Albania, Belarus, Belgium, Denmark, Estonia, France, Poland, Russian Federation, Serbia, Spain and the United Kingdom replied that they would be interested in providing additional country examples.

4. Chapter specific questions

13. Many concrete comments and proposals for the draft chapters were received. The main issues raised included the following:

a) The possible conflict between subjective weighting schemes and selection of indicators for composite indicators against the requirement of impartiality and objectivity of official statistics should be further considered and clarified.

b) The role of NSOs in producing LCS indicators in chapter 2 should be further clarified.

c) The recommendations on imputation of missing observations in chapter 4 should be reviewed.

d) Administrative data sources are likely to provide indicators beyond measures such as GDP, retail growth etc., along with potentially replacing traditional sources such as surveys. The economic frameworks such as SNA, BPM, Frascati Manual etc. provide a good contest against which composite economic indicators can be set and measured.

e) While the pros and cons for each indicator type are useful, these could be improved and given a stronger justification.

f) The means of communication of LCS indicators need to be carefully considered. Modern mechanisms like 'flash estimates' or 'innovation sites' allow NSOs to test indicators or release them with a little less rigour if the indicators will help the end user community.

14. All editorial comments and suggestions for clarification and improvements of the text will be taken into account. This includes improving the coherence and consistency between chapters and avoiding unwarranted repetition. There were also suggestions of improving the references to existing handbooks and manuals, and to refer to recent research work, e.g. on the usefulness of consumer tendency surveys, which will also be considered.

III. Proposal for finalisation of the Guidelines

15. The Task Force will review and further develop the draft Guidelines in line with the comments and proposals received from countries and organisations.

16. After incorporating the changes, the Guidelines will be circulated for final consultation, subject to the approval of the CES Bureau, with the intention to submit the Guidelines to the CES 2019 plenary session for endorsement.